

SECTION 319 AND NUTRIENT CREDITS

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§319 ROLE IN NPS AND NUTRIENT REDUCTION

- States set priorities and strategies for addressing nonpoint source (NPS) pollution concerns in 5-year NPS Management Plans.
- Nutrient reduction strategies are a common NPS priority
 - 70% of §319 projects directly address nutrient parameters.
 - An additional 10% address sediments or pathogens and these projects often co-control nutrients.
- States have flexibility to tailor NPS work to their water quality concerns and program structure, including innovative financing or market approaches to achieve results.

§319 FUNDS HAVE BEEN USED TO SUPPORT NUTRIENT MARKET ACTIVITY

About a dozen states have utilized §319 funds to evaluate or implement market-based activities. Examples include:

- Evaluating trading as an option
- Supporting staff to develop state-wide trading strategy or policy
- Supporting staff to develop watershed trading/market plan, engage landowners
- Developing a catalog of acceptable BMPs for a trading market
- Providing monitoring to establish baseline for nutrient, temperature trading

§319 FUNDS CAN BE USED TO PURCHASE OR GENERATE WATER QUALITY CREDITS

- A state may choose to purchase water quality credits with §319 funds from a third-party aggregator or other source
- Credits purchased with §319 funds should be verified to result in environmental outcomes, consistent with §319 program requirements
- A state may retire purchased credits for NPS water quality benefit or to make progress toward a state nutrient reduction goal

§319 FUNDS CAN BE USED TO PURCHASE OR GENERATE WATER QUALITY CREDITS

- Using §319 funds to purchase water quality credits may jumpstart a new trading program or support an existing trading program
- States may use §319 funds to pay for NPS conservation practices that *generate* water quality credits for use in a NPS trading framework.

STATUTORY AND GRANT CONSIDERATIONS

- CWA §319(h) funds are “for the purpose of assisting the state in implementing its NPS Management program.”
- *Entities eligible for funding:* Catalog of Federal Domestic Assistance identifies eligible entities for federal grants and subgrants: generally government, research, or nonprofit organizations.
 - Farmers and others that implement NPS conservation practices can be compensated with §319 funds as “program participants”
- *Environmental Outcomes:* EPA grant rules require that funds deliver environmental results; for §319 these are the outcomes in the state NPS management plan.

SUMMARY

- §319 program experience and the scenarios described in this presentation illustrate that states can purchase water quality credits with §319 funds and incorporate other innovative market-based approaches into NPS programs and watershed plans.
- All uses of §319 funds must adhere to statutory and federal grant regulation sideboards, but there is flexibility to use §319 funds to support an array of market-based approaches.